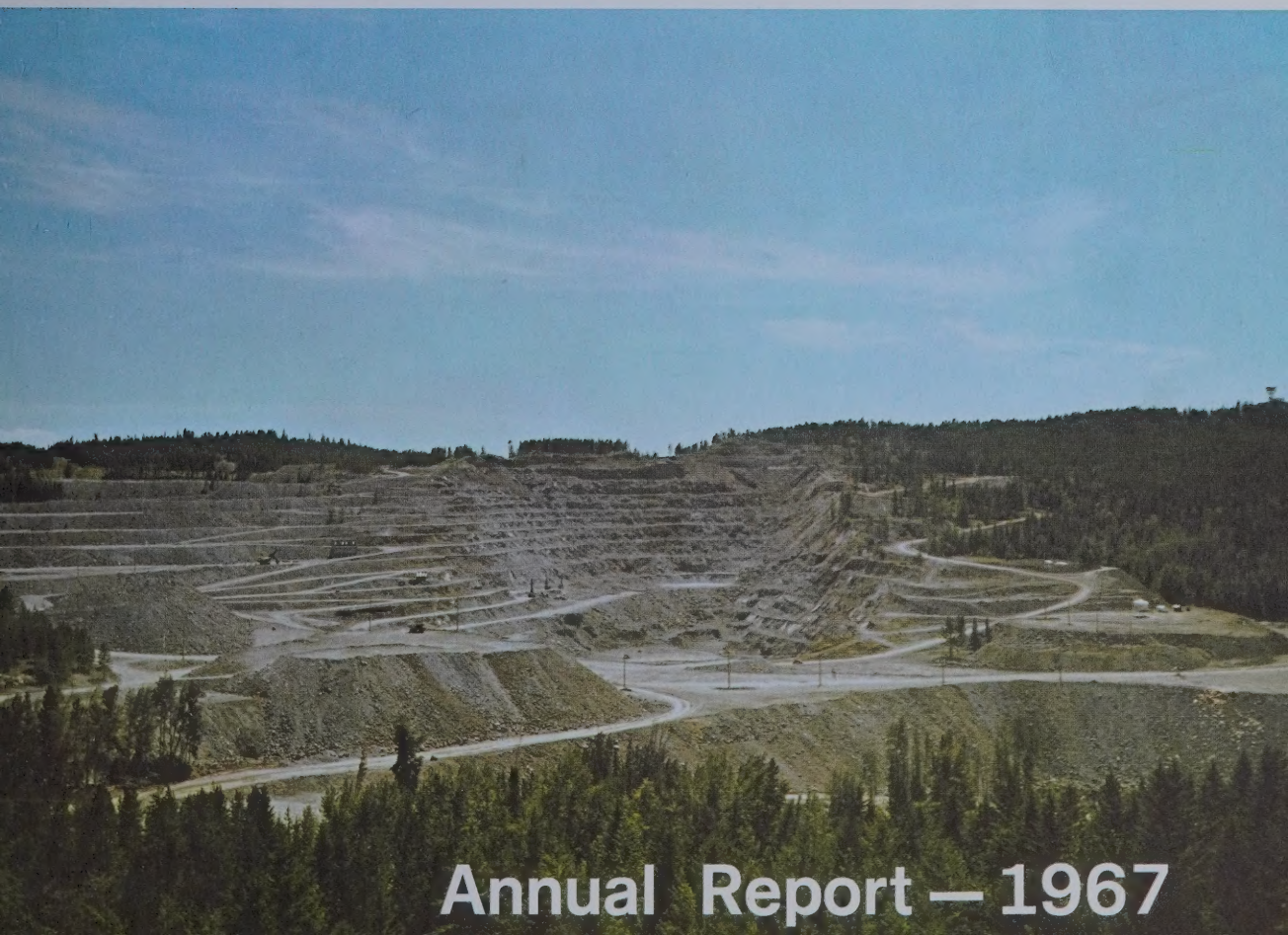


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The Granby Mining Company Limited



Annual Report — 1967

FRONT COVER

A view of the Phoenix Copper Division open-pit mine, located 20 miles from the City of Grand Forks, British Columbia, at an elevation of 4,500 feet above sea level. In the foreground area the thriving mining town of Phoenix existed until 1919, when underground mining became uneconomical and production ceased. Operations were reactivated in 1959, since when successful open-pit mining has been carried on.

BACK COVER

(Top)

A view of Babine Lake in winter, looking eastwards from the mainland ferry terminal to the island on which the Granisle mine is located. The tug and barge, and concentrate haulage trucks, can be seen in the foreground. Babine Lake freezes during the winter months; the problem of keeping the ferry route open was solved by the installation of a compressed air bubbler system, anchored and submerged along the line of the route and consisting of a perforated pipe supplied by compressed air from a station located at the mainland ferry landing. Bubbles convey the warmer water at depth to the surface, thereby melting the ice and maintaining a navigable, ice-free channel across the lake, which is dramatically demonstrated in the photograph. The system has proved to be highly successful and essential transportation remains uninterrupted during the coldest of winters.

(Bottom)

Part of the open-pit mine of Granisle Copper Limited, showing the 5-yard electric shovel loading a 35-ton dump truck with broken ore. Ore is transported from here to the crushing plant, for eventual processing into concentrate.

PLEASE GIVE THIS YOUR IMMEDIATE ATTENTION

THE GRANBY MINING COMPANY LIMITED

1111 West Georgia Street, Vancouver 5, B.C.

AR41

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

PLEASE TAKE NOTICE that the Sixty-seventh Ordinary General Meeting of Shareholders of THE GRANBY MINING COMPANY LIMITED will be held in the Social Suite of the Hotel Vancouver, 900 West Georgia Street, in the City of Vancouver, in the Province of British Columbia, on Friday, April 19, 1968, at 11:00 a.m., for the following purposes, viz.:

1. To receive and consider the consolidated financial statements and the reports of Directors and auditors for the year ended December 31, 1967, copies of which are being mailed to all shareholders, together with this notice. It is not intended to ask approval of any matters contained in any of these reports.
2. To elect Directors for the ensuing year.
3. To consider and act upon a proposal, recommended by the Board of Directors, and described in the accompanying Proxy Statement, to effect a 3 for 1 stock split of the Company's outstanding stock and accordingly to pass the following resolution as a Special Resolution —

RESOLVED AS A SPECIAL RESOLUTION —

- (i) that the authorized capital of the Company be altered by subdividing all of its 2,000,000 shares with a nominal or par value of \$5.00 each and consisting of 1,518,543 unissued shares and 481,457 issued shares, into 6,000,000 shares with a nominal or par value of \$1.66% each, of which 4,555,629 are unissued and 1,444,371 are issued, so that the authorized capital of the Company shall be \$10,000,000.00 divided into 6,000,000 shares with a nominal or par value of \$1.66% each, of which 4,555,629 are unissued and 1,444,371 are issued.
 - (ii) that in pursuance of The Granby Mining Company Limited Act, Revised Statutes of British Columbia (1901), Chapter 75, as Amended, and upon the issuance by the Registrar of Companies for the Province of British Columbia of a certificate showing the effect of this resolution, the authorized capital of the Company shall thereafter be \$10,000,000.00 divided into 6,000,000 shares with a nominal or par value of \$1.66% each.
 - (iii) that from and after the date the said Registrar shall have issued a Certificate showing the effect of this resolution each registered holder of issued shares of the Company shall be and be deemed to be the holder of and entitled to three (3) fully paid and non-assessable shares having a nominal or par value of \$1.66% each for each issued share with respect to which such holder is so registered, and promptly after the date of the issuance of the said Certificate by the said Registrar each registered holder of the said issued shares shall be entitled to receive a Certificate or Certificates for two (2) shares having a nominal or par value of \$1.66% each for each such issued share.
 - (iv) the Directors and/or the proper officers of the Company be and they are hereby authorized to do, sign and execute all instruments and things necessary or desirable in connection with the foregoing.
4. To elect auditors for the ensuing year.
 5. To transact any other or further business that may properly come before the meeting, or any adjournment or adjournments thereof.

Only shareholders of record at the close of business March 15, 1968, are entitled to notice of and to vote at said meeting.

Any shareholder who does not expect to attend the meeting in person and desires to have his shares represented is requested to sign and return the enclosed Proxy. You will note that you may withhold your vote as to the election of directors, and that you may instruct the proxies to vote either for or against the proposed stock split on a 3 for 1 basis, and either for or against the election of Peat, Marwick, Mitchell & Co. as auditors. Unless otherwise directed, such Proxy will be voted in favour of the election as Directors and auditors of the persons named in the accompanying Proxy Statement, as well as in favour of each of the other items of business referred to in the Proxy. The management has no knowledge of any business to be presented under item 5 but in the event of any such matters being presented by other than the management, it is the intention of the holders of such Proxies to vote the same in accordance with their best judgment.

By order of the Board of Directors,

J. H. COLTON,
Secretary.

Dated March 11, 1968.

IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. IF YOU ARE UNABLE TO BE PRESENT IN PERSON, PLEASE FILL IN, SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. A RETURN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE WHICH REQUIRES NO POSTAGE.

The changes in authorized and in issued stock which would result from the proposed stock split would cause no change in the aggregate amount of the capital account of the Company represented by the issued stock and no change in the surplus accounts of the Company.

The Company intends to apply to the Stock Exchanges for the listing of the increased number of shares to be issued pursuant to the stock split.

Under current commission rates, brokerage commissions on sales of the Capital Stock on the New York Stock Exchange would be higher after the split, assuming transactions of an equivalent dollar amount. For example, a sale of 100 shares at \$60.00 U.S. would result in brokerage commissions and New York stock transfer taxes of \$50.00 U.S. while the costs for the sale of 300 shares at \$20.00 U.S. would be \$96.00 U.S.

The Company is advised by counsel that, under existing Canadian and American tax laws, the proposed stock split will not result in taxable income to shareholders.

Financial statements of the Company are not deemed to be material to the exercise of prudent judgment in considering the proposed stock split. However, a copy of the Annual Report of the Company for 1967, including Financial Statements, has been mailed to all shareholders herewith.

A majority of not less than three-fourths of those present in person or represented by proxy will be necessary to approve the proposed stock split.

The Directors recommend that the shareholders approve the proposed stock split. The Directors feel that the split will attract wider ownership and thus broaden the market for the Company's stock, which is in the best interests of the shareholders.

7. ELECTION OF AUDITORS.

Peat, Marwick, Mitchell & Co., Chartered Accountants and Independent Public Accountants, will be nominated by the management for re-election as auditors. They were elected as auditors at the Shareholders' Meeting in 1967 for the term expiring December 31, 1967. They have no relationship to the Company or any affiliate except as auditors.

8. FINANCIAL STATEMENTS.

The Company's Annual Report for 1967, including Financial Statements, is being mailed to all shareholders of record at the close of business March 15, 1968, and is not intended to form part of the proxy soliciting material.

9. VOTE REQUIRED FOR APPROVAL.

The quorum necessary for the meeting is not less than three members personally present and holding or representing not less than 1/10 of the issued shares of the Company. A majority of not less than three-fourths of those present in person or represented by proxy is required for the adoption of the special resolution on the proposed stock split. The vote of a majority of the shares present and represented at the meeting is required for the approval of each of the other matters to be submitted to the meeting.

J. H. COLTON,
Secretary.

March 11, 1968.

PROXY STATEMENT

1. REVOCABILITY OF PROXY.

The shares represented by all properly executed Proxies which are sent to us will be voted in the manner specified. Any person giving a Proxy has the power to revoke it by written notice to the Secretary at any time before it is voted.

2. PERSONS MAKING THE SOLICITATION.

The enclosed Proxy is being solicited by the management. The cost of solicitation will be paid by the Company. In addition to solicitation by mail, arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries to send Proxies and proxy material to their principals. No solicitation is to be made by specially engaged employees or other paid solicitors.

3. VOTING SECURITIES.

As of March 11, 1968, there were outstanding 481,457 shares of Capital Stock, each share being entitled to one vote. As of March 11, 1968, no person owned of record or beneficially, or is known by The Granby Mining Company Limited to own of record or beneficially more than 10% of the outstanding voting securities of The Granby Mining Company Limited.

As stated in the Notice of Meeting, shareholders of record at the close of business March 15, 1968, will be entitled to vote at the meeting.

4. NOMINEES AND DIRECTORS.

The Directors of the Company are elected annually and hold office until the next Annual Meeting of Shareholders, or until their successors are duly elected. It is intended that a vote under the Proxy will be cast for the following nominees, who have been designated by the Board of Directors: Marsh A. Cooper, Thomas G. Ewart, Alfred H. Hauser, William F. James, William G. Lane, Robert M. MacRae, Joseph S. Nye, Lawrence T. Postle, and George T. Smith. If any such nominee is not a candidate for election as a Director at the meeting, an event which the management does not anticipate, the Proxy will be voted for a substitute nominee and for the others named above. All of the foregoing persons are now Directors of the Company.

With respect to each such person nominated for election as a Director for the ensuing year, the following information is supplied:

Nominee for Director	Principal Occupation	Date Elected Director	Stock owned beneficially, directly or indirectly, by Director as of January 31, 1968, according to infor- mation received from Director
Marsh A. Cooper	President and Director, McIntyre Porcupine Mines Ltd., Vice-President and Director, The Granby Mining Company Limited; Director, Jefferson Lake Petrochemicals of Canada Ltd.; Director, Mogul of Ireland Limited; Director, Consolidated West Petroleum Ltd.; Director, Bridge and Tank Company of Canada Ltd.; Director, Crown Life Insurance Company; Director, Home Oil Company Limited and other Canadian companies.	1960	3,350
Thomas G. Ewart	Director and consultant to Crow's Nest Industries Limited, principal business coal mining.	1965	2,000
Alfred H. Hauser	Executive Vice-President, Chemical Bank New York Trust Company; Trustee, Excelsior Empire Savings Bank; Director, Tandy Corporation; Director, Colonial Industries, Inc.	1955	2,900
William F. James	Partner of the firm of James, Buffam and Cooper, Consulting Geologists; Director, Falconbridge Nickel Mines Limited; Director, Home Oil Company Ltd.; Director, Eldorado Mining and Refining Limited;	1963	1,850

Nominee for Director	Principal Occupation	Date Elected Director	Stock owned beneficially, directly or indirectly, by Director as of January 31, 1968, according to infor- mation received from Director
			Director
	Director, The Patino Mining Corporation; Director, Dome Mines Ltd.; Director, Giant Yellowknife Mines Ltd.; Director, National Trust Company Ltd.; Director, Northgate Exploration Ltd.; Director, Campbell Red Lake Mines Ltd.; Director, Bayer Foreign Investments Ltd.		
William G. Lane	Member of the law firm of Guild, Yule, Schmitt, Lane, Collier & Hinkson.	1954	100
Robert M. MacRae	President, Robert M. MacRae, Inc., invest- ment bankers; Vice-President, The Granby Mining Company Limited.	1953	10,000
Joseph S. Nye	Member, New York Stock Exchange; Part- ner, Nye and Whitehead; Director, Bowne and Company; Director, Norwich and Wor- cester Railroad Co.	1955	5,055
Lawrence T. Postle	President, The Granby Mining Company Limited.	1951	4,100
George T. Smith	Barrister and Solicitor in the City of Tor- onto; President, Siscoe Mines Limited and Camflo Mines Limited; Vice-President, Northgate Exploration Limited; Vice-Presi- dent, Gortdrum Mines Limited.	1965	100

5. REMUNERATION AND OTHER TRANSACTIONS WITH MANAGEMENT AND OTHERS.

The aggregate remuneration paid in 1967 by the Company to the Company's Officers and Directors, a total of 14 persons, amounted to \$186,480; of this, Mr. L. T. Postle, President, received \$52,400. Retirement benefits payable to Mr. L. T. Postle are estimated at \$13,300 per annum.

Under the Company's "Restricted Stock Option Plan dated January 13, 1960", 46,000 shares of the Company's capital stock were reserved for the granting of options; the purchase price per share is 10% above the average market value on the New York Stock Exchange on the day the options are granted. No new options were granted in 1967, and the Plan was amended on September 15, 1967, so as to render all outstanding options exercisable forthwith. Options were exercised in 1967 by all directors and officers as a group (3 persons) on 4,400 shares, having an aggregate purchase price of \$82,253 U.S. and an aggregate market value on respective dates of purchase of \$263,578 U.S. No options are presently outstanding under the Plan.

6. PROPOSED STOCK SPLIT.

The shareholders will be asked to approve a 3 for 1 split of the outstanding Common Stock of the Company as recommended by the Board of Directors. The Special Resolution effecting the split is shown under Item 3 on the Notice of Meeting attached. If approved by the shareholders the stock split is expected to become effective on April 26, 1968, and shareholders of record at the close of business on such effective date will receive two additional shares for each share then held. All certificates for shares of \$5 par value stock then outstanding will be deemed to be certificates for the same number of shares of \$1.66 $\frac{2}{3}$ par value stock. Accordingly, shareholders should **not** send in their existing share certificates to the Company. Certificates for additional shares of stock at the rate of two new shares for each outstanding share will be issued as soon as practicable after such effective date, and are scheduled for mailing about May 3, 1968.

If the proposed stock split is effected, the Company will have an authorized capital of 6,000,000 shares of par value \$1.66 $\frac{2}{3}$, of which 1,444,371 are issued and outstanding and 4,555,629 such shares will be authorized but unissued. Of such authorized but unissued shares, 56,400 shares will be reserved for stock options which may be granted in the future pursuant to the Company's Restricted Stock Option Plan dated January 13, 1960. The remaining shares of authorized but unissued stock may be issued by the Board of Directors in the future without further authorization from the shareholders. There have not been any negotiations, arrangements, agreements or understandings with respect to the issuance of such remaining authorized but unissued stock.

DIRECTORS

*MARSH A. COOPER	WILLIAM F. JAMES	JOSEPH S. NYE
*THOMAS G. EWART	WILLIAM G. LANE	*LAWRENCE T. POSTLE
ALFRED H. HAUSER	*ROBERT M. MacRAE	GEORGE T. SMITH

*Members of Executive Committee

OFFICERS

President
LAWRENCE T. POSTLE

Vice-Presidents
ROBERT M. MacRAE
MARSH A. COOPER
P. ROBERT MATTHEW

JOHN H. COLTON, Secretary and Treasurer

WILLIAM G. GOURLAY, Assistant Secretary

JOHN D. BALDEN, Assistant Treasurer

TRANSFER AGENTS

The Canada Trust Company, Vancouver, British Columbia

The Canada Trust Company, Toronto, Ontario

Chemical Bank New York Trust Company, New York, N.Y.

REGISTRARS

National Trust Company, Limited, Vancouver, British Columbia

National Trust Company, Limited, Toronto, Ontario

The Chase Manhattan Bank, N.A., New York, N.Y.

SHARES LISTED

New York Stock Exchange

Toronto Stock Exchange

Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, British Columbia

THE GRANBY MINING COMPANY LIMITED

Vancouver, B.C.

March 8, 1968.

To the Shareholders:

Your Company enjoyed another successful year in 1967. Earnings of the Company amounted to \$1.83 per share; in addition the Company realized \$11,087,899 (\$23.03 per share) from the sale of its Copper Mountain properties and after provision for a loss on the Company's investment in Jedway Iron Ore Limited. In addition, Granby's share of the net income of Granisle Copper Limited amounted to \$2,894,000 (\$6.01 per share of Granby stock).

The activities of the Company are reported on as follows:

PHOENIX COPPER DIVISION

	1967	1966
Tons ore treated	713,513	700,743
Average tons treated per day	1,955	1,920
Tons waste removed	3,332,189	2,924,360
Mill heads:		
Copper (%)	0.84	0.80
Gold (Oz. per ton)	0.032	0.031
Silver (Oz. per ton)	0.26	0.26
Saleable metal produced:		
Copper (Lbs.)	9,773,249	8,892,329
Gold (Ounces)	13,661	13,397
Silver (Ounces)	101,785	101,933
Average copper price received per lb.	51.315c	54.392c

At the year end, the ore reserves were estimated to be 4,650,000 tons containing .84% copper. In addition to these ore reserves, 1,400,000 tons of low-grade material estimated to contain about .4% copper have been removed with the waste and stockpiled for treatment after the better grade ore bodies are exhausted. All of the Company's copper concentrates were shipped to the smelters operated by the Sumitomo Metal Mining Co. Ltd. in Japan.

COPPER MOUNTAIN

The Company's major exploration expenditures were at the Copper Mountain mine where mining stopping in 1957; the total cost of these activities at Copper Mountain for the year was \$327,331.

Newmont Mining Corporation, which owns certain properties adjoining Copper Mountain to the west, expressed interest in purchasing Granby's assets in that area. After negotiations, these assets were sold to them for the sum of \$8,000,000 U.S. plus 40,000 shares of Newmont Mining Corporation common stock.

GRANISLE COPPER LIMITED

Details of production for the first full year of operation are given below. As the plant was in operation for only six weeks in 1966, comparative figures for 1966 are of no significance.

	1967
Tons ore treated	1,943,656
Average tons treated per day	5,325
Tons waste removed	399,886
Mill heads:	
Copper (%)	0.78
Gold (Oz. per ton)	0.011
Silver (Oz. per ton)	0.144
Saleable metal produced:	
Copper (Lbs.)	24,630,823
Gold (Ounces)	15,578
Silver (Ounces)	144,326
Average copper price received per lb.	52.25c

No effort was directed towards establishing additional ore reserves, which at December 31 1967 are estimated to be 20,500,000 tons averaging .51% copper. It is expected that the ore to be milled in 1968 will average .59%. During 1967, shipments totalling 35,908 tons of concentrate were made to the Japanese smelters with whom sales contracts are in effect.

In the month of November, B.C. Hydro power became available and the diesel engines which had been supplying power up to that date were disposed of. Coincident with the supply of hydro power, certain revisions were made to the concentrator which enabled the tonnage treated to exceed 6,000 tons per day and this rate is being maintained into 1968.

Continuous improvements were made in the town of Granisle; a retail store and nine new residences were built.

All of the surplus cash from operations, amounting to \$5,793,000, was applied to debt retirement; at December 31 1967 loans and accrued interest totalled \$6,535,000.

GENERAL

Jedway Iron Ore Limited ceased its mining operations at the end of February 1968 due to exhaustion of its ore bodies.

Mr. J. H. Parliament, who has been with the Company since 1948, resigned as a Director and Officer on January 31, 1968 to join Newmont Mining Corporation in the development of Copper Mountain, and in this he has the best wishes of all of his associates in this Company.

The Annual General Meeting of the Company will be held at the Hotel Vancouver, Vancouver, B.C., at 11:00 a.m., on April 19, 1968. At the Meeting you will be asked to approve a three-for-one stock split, which has been recommended by the Board of Directors.

Your Directors wish to acknowledge the contribution of all employees to the Company's continued progress.

On behalf of the Board,
L. T. POSTLE,
President.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

December 31, 1967

(with comparative figures for 1966)

ASSETS

	1967	1966
Current assets:		
Cash and bank deposits	\$ 9,110,550	\$ 2,053,136
5¾ % First Mortgage Demand Debenture in Jedway Iron Ore Limited, at estimated realizable value (Note 3)	1,665,640	1,000,000
Accounts receivable	33,136	27,390
Due from subsidiaries	—	73,184
Income taxes refundable	65,143	—
Metals in concentrates at smelter, mill and in transit, at estimated realizable values	1,270,049	917,566
Materials and supplies, at approximate cost or less	334,230	220,092
Prepaid expenses	1,990	2,813
Total current assets	12,480,738	4,294,181
Other assets:		
Investment in Granisle Copper Limited (Note 2): 1,625,907 shares, at cost (quoted market value December 31, 1967, \$19,104,400; 1966, \$8,942,500)	342,919	342,919
6% unsecured advances and accrued interest	1,062,885	902,967
	1,405,804	1,245,886
Investment in Newmont Mining Corporation, 40,000 shares, at market value at time of acquisition	2,819,616	—
Investment in unconsolidated majority-owned subsidiary, Jedway Iron Ore Limited (Note 3)	—	995,640
Special refundable tax and sundry assets	91,039	78,995
Total other assets	4,316,459	2,320,521
Property, plant and equipment:		
Mining properties, at cost	147,463	171,158
Less accumulated depletion (Note 4)	106,191	95,987
	41,272	75,171
Real estate, buildings and equipment, at cost	4,329,747	3,476,910
Less accumulated depreciation (Note 4)	2,445,168	2,022,881
	1,884,579	1,454,029
Net property, plant and equipment	1,925,851	1,529,200
	<u>\$18,723,048</u>	<u>\$ 8,143,902</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
Current liabilities:		
Bank loan, secured (Note 5)	\$ 432,125	\$ 432,000
Accounts payable and accrued charges	282,030	207,501
Accrued payrolls	75,603	65,183
Income taxes payable	—	672,587
Total current liabilities	789,758	1,377,271
Bank loan, secured	—	432,996
Shareholders' equity:		
Capital stock (Note 6):		
Authorized 2,000,000 shares par value \$5 per share; issued and outstanding 481,460.65 shares	2,407,303	2,370,803
Surplus:		
Contributed surplus	513,880	404,078
Earned surplus	15,012,107	3,558,754
	15,525,987	3,962,832
Total shareholders' equity	17,933,290	6,333,635

Contingent liabilities (Notes 2 and 3).

Approved on behalf of the Board:

L. T. POSTLE, Director

R. M. MacRAE, Director

<u>\$18,723,048</u>	<u>\$ 8,143,902</u>
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SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Granby Mining Company Limited and its wholly-owned subsidiary companies as of December 31, 1967 and the consolidated statements of income, contributed and earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia.
February 2, 1968.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED INCOME

Year ended December 31, 1967

(with comparative figures for 1966)

		1967		1966
Production:				
Copper (lbs.)		9,773,249		8,892,329
Gold (ozs.)		13,661		13,397
Silver (ozs.)		101,785		101,933
Value of production:				
Copper		\$ 5,015,108		\$ 4,836,682
Gold		547,109		546,922
Silver		163,774		141,953
		5,725,991		5,525,557
Cost of production	\$ 3,223,580		\$ 2,806,932	
Administration (Note 7)	352,105	3,575,685	223,437	3,030,369
Profit before the undernoted items		2,150,306		2,495,188
Other income:				
Interest	126,280		226,422	
Equipment rentals and sundry income	120,935	247,215	318,765	545,187
		2,397,521		3,040,375
Other charges:				
Interest	33,890		57,555	
Outside exploration	480,136	514,026	313,198	370,753
Net profit before depreciation, depletion and amortization		1,883,495		2,669,622
Depreciation	566,578		427,648	
Depletion	10,204		9,642	
Amortization of pre-productive expenditure	—	576,782	25,935	463,225
Net profit before income taxes		1,306,713		2,206,397
Income taxes (Note 8)		426,000		870,000
Net profit before extraordinary items		880,713		1,336,397
Extraordinary items:				
Gain on sale of Copper Mountain mining properties		11,417,889		
Less amount written off investment in Jedway Iron Ore Limited (Note 3)		330,000		
		11,087,889		
Net profit for the year		\$11,968,602		\$ 1,336,397

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED
1111 West Georgia Street, Vancouver 5, B.C.

PROXY FOR ANNUAL MEETING OF SHAREHOLDERS

The undersigned shareholder of THE GRANBY MINING COMPANY LIMITED hereby appoints LAWRENCE T. POSTLE, ROBERT M. MacRAE, WILLIAM G. LANE, and each of them, the proxies of the undersigned, with proper power of substitution and revocation at the Annual Meeting of Shareholders to be held in the Social Suite of the Vancouver Hotel, 900 West Georgia Street, in the City of Vancouver, in the Province of British Columbia, on Friday, April 19, 1968, at 11:00 a.m., and at any adjournment or adjournments thereof, with authority to vote all shares of stock of the undersigned.

- (1) In the election of directors. (Strike out if you wish to withhold your vote.)
- (2) FOR ☐ AGAINST ☐ the proposed stock split on a 3 for 1 basis.
- (3) FOR ☐ AGAINST ☐ the election of Peat, Marwick, Mitchell & Co., as auditors.
- (4) In their discretion upon all other matters coming before the meeting.

I understand that this proxy is solicited on behalf of the management of The Granby Mining Company Limited. I hereby ratify and confirm all that my said proxies, or any of them or their substitute or substitutes may lawfully do or cause to be done by virtue hereof. A majority of such said proxies as shall be present and act at the meeting, or if only one be present and act, then that one shall have and may exercise all the powers of all of said proxies hereunder. **The shares represented hereby will be voted in accordance with the above instructions but if no instructions are indicated with respect to Items 2 and 3, the above named proxies shall vote for these items.** I hereby acknowledge receipt of the Notice of Annual Meeting of Shareholders dated March 11, 1968, and the Proxy Statement furnished therewith.

Unless the date has been inserted below, this Proxy shall be deemed to be dated for all purposes as of the date appearing on the post mark on the envelope with which it is enclosed and the above Proxies are authorized to insert said date in accordance with these instructions.

Dated this _____ day of _____, 1968. _____
Signature of Shareholder

The signature should agree with the name on the stock certificate. Executors, Administrators, Trustees and other fiduciaries should so indicate when signing. In order to be valid for use, this proxy must be deposited at the registered office of the Company at least 48 hours prior to the hour set for the meeting. (By-Law 43.)

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

STATEMENT OF CONSOLIDATED CONTRIBUTED AND EARNED SURPLUS

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Contributed surplus:		
Balance at beginning of year	\$ 404,078	\$ 388,329
Premium on 7,300 shares issued during year (1,000 shares in 1966)....	109,802	15,749
Balance at end of year	<u>\$ 513,880</u>	<u>\$ 404,078</u>
Earned surplus:		
Balance at beginning of year	\$ 3,558,754	\$ 2,606,944
Add net profit for the year	11,968,602	1,336,397
	<u>15,527,356</u>	<u>3,943,341</u>
Deduct dividends paid of \$1 U.S. per share (\$.75 U.S. in 1966)	515,249	384,587
Balance at end of year	<u>\$15,012,107</u>	<u>\$ 3,558,754</u>

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1967

(with comparative figures for 1966)

	1967	1966
Funds provided by:		
Operations:		
Net profit before extraordinary items	\$ 880,713	\$ 1,336,397
Add charges not requiring cash expenditure:		
Depreciation, depletion and amortization	576,782	463,225
Sundry	(131,110)	(14,538)
Funds provided by operations	<u>1,326,385</u>	<u>1,785,084</u>
Proceeds from sale of mining properties, less value of shares in		
Newmont Mining Corporation included in non-current assets	8,640,500	—
Issue of capital stock	146,302	20,749
Proceeds from disposal of buildings, plant and equipment	122,742	86,194
Reduction in non-current portion of Jedway Iron Ore Limited,		
5¾ % First Mortgage Debenture	<u>665,640</u>	<u>1,100,000</u>
Total funds provided	<u>10,901,569</u>	<u>2,992,027</u>
Funds applied to:		
Additions to mineral claims, real estate, buildings,		
plant and equipment	1,067,210	506,702
Reduction of bank loan	432,996	432,996
Dividends paid	515,249	384,587
Advances to Granisle Copper Limited	100,000	900,000
Special refundable tax and sundry assets	<u>12,044</u>	<u>42,950</u>
Total funds applied	<u>2,127,499</u>	<u>2,267,235</u>
Increase in working capital	<u>8,774,070</u>	<u>724,792</u>
Working capital at beginning of year	<u>2,916,910</u>	<u>2,192,118</u>
Working capital at end of year	<u>\$11,690,980</u>	<u>\$ 2,916,910</u>
Working capital:		
Current assets	\$12,480,738	\$ 4,294,181
Current liabilities	<u>789,758</u>	<u>1,377,271</u>
Working capital at end of year	<u>\$11,690,980</u>	<u>\$ 2,916,910</u>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

THE GRANBY MINING COMPANY LIMITED

AND WHOLLY-OWNED SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

1. The consolidated financial statements include the accounts of the company and its wholly-owned inactive subsidiaries, Phoenix Copper Company Limited and Granby Metals Corporation Limited.

2. GRANISLE COPPER LIMITED:

On December 29, 1967, two Japanese companies exercised their option to acquire 300,000 shares of Granisle Copper Limited at \$2 per share. At December 31, 1967, The Granby Mining Company Limited owned 48.8% of the outstanding capital stock of Granisle Copper Limited.

A summary of the audited financial statements of Granisle Copper Limited for the year ended December 31, 1967 (with comparative figures for 1966) is as follows:

BALANCE SHEET

ASSETS

December 31,

1967 1966

Current assets	\$ 3,729,903	\$ 1,383,203
Refundable power and other deposits	668,330	300,000
Fixed assets	11,118,373	11,162,785
Less accumulated depreciation	(1,314,774)	(149,656)
Pre-productive expenditure	2,389,383	2,389,383
Less accumulated amortization	(537,998)	(60,033)
	<u>\$16,053,217</u>	<u>\$15,025,682</u>

LIABILITIES

Current liabilities	\$ 679,964	\$ 577,495
Deferred liabilities:		
Bank loan, secured	—	3,228,594
Loans, secured by \$1,402,500 U.S. 8% Series "A" bonds and \$3,510,000 U.S. 6½% Series "B" bonds	5,291,718	7,555,370
6% unsecured advances from The Granby Mining Company Limited	1,000,000	900,000
Accrued interest	242,870	453,662
	<u>6,534,588</u>	<u>12,137,626</u>
Shareholders' equity:		
Share capital (1967 - 3,329,919 shares; 1966 - 3,029,919 shares)	2,594,982	1,994,982
Earned surplus	6,243,683	315,579
	<u>8,838,665</u>	<u>2,310,561</u>
	<u>\$16,053,217</u>	<u>\$15,025,682</u>

STATEMENT OF INCOME

Year ended December 31, 1967

(with comparative figures for the period from November 16, 1966 to December 31, 1966)

	1967	1966
Value of production	\$13,745,996	\$ 1,134,564
Production costs, including administration	5,224,083	522,092
	<u>8,521,913</u>	<u>612,472</u>
Interest	653,995	87,204
	<u>7,867,918</u>	<u>525,268</u>
Depreciation and amortization	1,939,814	209,689
	<u>\$ 5,928,104</u>	<u>\$ 315,579</u>

Depreciation of the plant, buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing balance method at 30%. The temporary diesel power plant, which was disposed of when power could be obtained from the British Columbia Hydro and Power Authority, was depreciated by \$293,338 during 1967 to its saleable value. Amortization of pre-productive expenditure has been calculated on the straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966.

Under Section 83(5) of the Income Tax Act the company has been granted an exemption from Federal Income Tax on its mining profits for the three years from December 1, 1966.

The trust deeds securing the Series "A" and Series "B" bonds prohibit the payment of dividends by the company until the bonds and accrued interest thereon have been repaid.

The Granby Mining Company Limited has advanced the company \$1,000,000 at December 31, 1967. This advance, together with interest thereon of 6%, will be repaid after the Series "A" and "B" bonds have been redeemed.

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to its mine, Granisle Copper Limited has made deposits aggregating \$552,500. These deposits bearing interest at 5% will be refundable over a period of six years commencing November 1, 1970. Charges for electricity for the first four years will be credited against a further liability of \$187,500. It is considered that as a result of these credits no payment will have to be made on this liability. The Granby Mining Company has guaranteed this latter liability of Granisle Copper Limited.

3. JEDWAY IRON ORE LIMITED:

The mining operations of Jedway Iron Ore Limited will probably cease in February 1968 and Jedway will then proceed to dispose of its assets. It is considered that the estimated amount recoverable by The Granby Mining Company Limited from its \$1,900,000 First Mortgage Debenture in this company will be \$1,570,000. Accordingly, an amount of \$330,000 has been written off the value of this investment as an extraordinary item.

In addition, it is considered that rental, interest and management charges aggregating \$327,325 in 1967 will not be received and these amounts have been deducted from the income from these sources during the year.

A summary of the audited financial statements of Jedway Iron Ore Limited for the year ended December 31, 1967 (with comparative figures for 1966) is as follows:

BALANCE SHEET

ASSETS

	December 31,	
	1967	1966
Current assets	\$ 1,405,837	\$ 1,166,938
Fixed assets	5,763,546	5,695,740
Less depreciation, etc.	(5,019,768)	(3,883,995)
Deferred charges, less amortization	68,406	567,933
	<u>\$ 2,218,021</u>	<u>\$ 3,546,616</u>

LIABILITIES

Current liabilities	\$ 349,361	\$ 377,022
Due to The Granby Mining Company Limited:		
Current account	327,325	55,688
First Mortgage Demand Debenture	1,900,000	1,900,000
Deferred account	2,506,889	2,506,889
	<u>4,734,214</u>	<u>4,462,577</u>
Second Mortgage bonds and other deferred liabilities	2,599,227	2,551,166
Capital stock	10,000	10,000
Deficit	(5,474,781)	(3,854,149)
	<u>\$ 2,218,021</u>	<u>\$ 3,546,616</u>

STATEMENT OF INCOME

	Year ended December 31,	
	1967	1966
Value of production	\$ 4,504,552	\$ 4,905,575
Production costs, including administration	4,356,507	3,636,615
	<u>148,045</u>	<u>1,268,960</u>
Interest	252,256	308,482
	<u>(104,211)</u>	<u>960,478</u>
Depreciation, depletion and amortization	1,516,421	947,965
Net profit (loss)	<u>\$(1,620,632)</u>	<u>\$ 12,513</u>

The provisions for depreciation, depletion and amortization of the Jedway property were based on estimated mineable ore reserves.

4. DEPRECIATION AND DEPLETION:

Depletion of the Phoenix mine and depreciation of its buildings and equipment have been calculated at 15% of the written down value of these assets at December 31, 1965, plus additions since then, at cost. Depreciation of the mobile equipment has been calculated at the income tax rate of 30% on the diminishing balance method.

5. BANK LOAN:

The bank loan of \$400,000 U.S. is repayable on June 1, 1968. The bank loan is secured by the hypothecation to the bank of the 5¼% First Mortgage Demand Debenture of Jedway Iron Ore Limited.

6. CAPITAL STOCK:

Under the company's "Restricted Stock Option Plan, dated January 13, 1960", 46,000 shares of The Granby Mining Company Limited stock were reserved for the granting of options to key employees, the purchase price per share being 10% above the market value at the date of the grant. The options are for a term of ten years from the date of the grant, and there are normally certain limitations on the number of shares that can be acquired in the first five years. On September 15, 1967, an amendment was made to the Plan which rendered all outstanding options exercisable. At December 31, 1966, there were 8,500 shares issuable under outstanding stock options at varying prices from \$17.60 U.S. to \$19.525 U.S.; during 1967 no new options were granted, options on 7,300 shares were exercised, and an option on 1,200 shares was cancelled, thus there were no options outstanding at December 31, 1967. Unallocated shares under the Plan totalled 17,600 shares at December 31, 1966, and 18,800 shares at December 31, 1967.

7. ADMINISTRATION:

Remuneration of directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$232,680 in 1967.

8. INCOME TAXES:

The company will be claiming more depreciation for income tax purposes than that recorded in the accounts and accordingly income taxes otherwise payable for the year have been reduced by approximately \$52,000. At December 31, 1967, the cumulative amount of income taxes that have been deferred by claiming more depreciation for tax purposes than that recorded in the accounts amounted to approximately \$132,000.

9. Current assets and current liabilities in United States dollars have been converted into Canadian dollars at the approximate rate of exchange prevailing at December 31, 1967.

10. RETIREMENT PLAN:

The company is in the process of arranging a salaried Employees' Retirement Plan which is to be effective January 1, 1968. Under this plan, which is non-contributory, eligible employees may retire at the age of 65, or under certain circumstances, at a reduced pension at an earlier age. The plan will be subject to discontinuance at any time.

The estimated unfunded liability for past service benefits at January 1, 1968 is approximately \$300,000. It is the company's intention to fund this liability over a period of fifteen years at an estimated yearly cost of \$27,000.

